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Toronto Star Limited

**Interim Report for the
6 months ended
March 31, 1974**

1st quarter

2nd quarter

Toronto Star Limited

One Yonge Street, Toronto, Canada
M5E 1E6

TO OUR SHAREHOLDERS:

The Summary of Consolidated Income and Source and Application of Funds (unaudited) of Toronto Star Limited for the six months ended March 31, 1974, and the corresponding period of 1973, is set out below.

Net income before extraordinary item was \$3,469,000 or 47¢ per share compared to \$3,531,000 or 48¢ per share in the first half of 1973. Substantial increases in advertising and circulation revenue enabled The Star newspaper to improve its profit contribution, although at a slower rate than a year ago, but these gains were offset by losses in some subsidiary operations.

Higher Star newspaper revenues reflect increased advertising and circulation rates as well as higher classified advertising lineage. Display advertising lineage declined slightly from a year ago. Following a decline in January when the price of the Saturday paper was increased, circulation gains over the past 3 months have been encouraging, reaching levels over 520,000 (Monday to Friday) and over 760,000 on Saturdays, in April.

Operating costs were up substantially from 1973 with higher paper and ink and employee costs, and as yet unresolved press problems, trimming profit margins. This situation will be improved by higher retail advertising rates which became effective April 1.

Comac Communications Limited, acquired November 1, 1973, accounted for some \$1,900,000 of the 1974 revenue gain. Comac's non-magazine operations, discontinued in late

February, reduced first-half profits by approximately \$200,000. With these loss operations now closed, Home-maker's and Quest magazines are expected to make a positive contribution to earnings in the last half of the year.

Estimated costs of winding up the discontinued Comac operations caused the extraordinary loss recorded in the Summary of Consolidated Income. Final determination of such costs is now virtually complete, and the provision of \$760,000 or 10¢ per share made in the first quarter has proven adequate.

Losses incurred by subsidiaries have reduced the beneficial effect of a lower income tax rate for Star operations in the first half.

As announced in March, the Canadian Radio-Television Commission declined to allow the Company's proposed investment in Keeble Cable Television Limited. The Company is now reviewing its diversification plans in light of this decision.

The outlook for the balance of the year is favourable and the Company anticipates that results for 12 months will show a modest improvement over 1973.

Beland Honderich

BELAND H. HONDERICH
President & Publisher

May 7, 1974

SUMMARY OF CONSOLIDATED INCOME FOR THE SIX MONTHS ENDED MARCH 31, 1974 AND 1973.

	1974	1973
Total operating revenue	\$54,277,000	\$45,808,000
Depreciation	1,455,000	1,063,000
Amortization	218,000	667,000
Interest expense	1,260,000	905,000
Investment revenue	983,000	698,000
Income taxes	3,575,000	3,744,000
Net income before extraordinary item	3,469,000	3,531,000
Extraordinary item-provision for costs related to discontinuance of marketing services operations of subsidiary	760,000	—
Net income	2,709,000	3,531,000
Per share:		
Net income—before extraordinary item	47¢	48¢
—after extraordinary item	37¢	48¢
Dividends	10¢	7½¢

SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED MARCH 31, 1974 AND 1973.

	1974	1973
Source of funds:		
From operations—		
Net income	\$ 2,709,000	\$ 3,531,000
Add charges to income which did not reduce working capital:		
Depreciation and amortization	1,673,000	1,730,000
Deferred income taxes	660,000	224,000
Total funds from operations	5,042,000	5,485,000
Less dividends paid	745,000	547,000
Funds from operations reinvested	4,297,000	4,938,000
Debt funds	3,200,000	—
Employees shares subscribed	—	1,176,000
Reduction in working capital	2,998,000	4,367,000
Other (net)	499,000	71,000
	<u>\$10,994,000</u>	<u>\$10,552,000</u>
Application of funds:		
Acquisition of net assets (other than working capital deficit) of subsidiaries		
Goodwill (note)	\$ 4,132,000	\$ 514,000
Other non-current assets	14,000	905,000
	<u>4,146,000</u>	<u>1,419,000</u>
Deduct: Debt assumed	(200,000)	(467,000)
Class B shares issued	—	(484,000)
	<u>3,946,000</u>	<u>468,000</u>
Purchase of fixed assets (net)	927,000	1,049,000
Debt reduction	6,121,000	9,035,000
	<u>\$10,994,000</u>	<u>\$10,552,000</u>

Note: Goodwill arising from purchase of subsidiary companies has been charged to retained earnings as at the dates of acquisitions.